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Fifth District

February 25, 2008

To: Supervisor Yvonne Burke, Chair
Supervisor Gloria Molina, First District
Supervisor Zev Yaroslavsky, Third District
Supervisor Don Knabe, Fourth District
Supervisor Michael D. Antonovich, Fifth District

From: William T Fujioka
Chief Executive Officer

REPORT ON THE CORRECTIVE ACTION PLAN IN RESPONSE TO THE PAYROLL AUDIT OF THE DEPARTMENT OF CHILDREN AND FAMILY SERVICES

On September 11, 2007, on motion of Supervisor Michael D. Antonovich, the Board directed the Chief Executive Officer, in conjunction with the Auditor-Controller (Auditor) and the Director of Children and Family Services (DCFS) to report back in 30 days on: 1) The progress in implementing the specific recommendations of the Auditor's report on DCFS; and 2) Identifying an existing budgeted item and expediting the hiring of a manager at the appropriate level to implement the quality assurance program for the DCFS payroll and procurement operations reviewed in the Auditor's report. In addition, the Board instructed the CEO, in conjunction with the Auditor, to report back in 30 days on whether and how the Auditor's regular audit function can be utilized to more directly address countywide, or multi-departmental, payroll, personnel and other problems.

We have been working with the Auditor and DCFS to address the various issues identified in response to the recent audit of DCFS' payroll and personnel functions. DCFS has made significant progress in addressing many of the deficiencies identified by the Auditor and we feel confident that their efforts will bring the Department into compliance with County payroll and personnel guidelines.

Implementation of Audit Recommendations

On January 4, 2008, DCFS issued their response to the payroll and personnel audit conducted by the Auditor. The Department agreed with all 42 of the Auditor's recommendations and has already implemented 28 of them and is in the process of

putting the remainder into practice. In addition, the Probation Department has loaned a member of their staff to assist DCFS in updating their payroll and personnel policies and procedures manual.

Attached for your information, is DCFS' response to the audit. We have reviewed the Department's response and believe DCFS is taking appropriate actions to comply with the audit recommendations and to strengthen its payroll and personnel operations.

Quality Assurance Program

As reported to you in our November 21, 2007 report on the audit of DCFS' procurement operation, the Department has reassigned an Administrative Services Manager I position to implement the recommended quality control function over the procurement, payroll and personnel operations. The Department is in the process of recruiting a permanent position for this function and anticipates having a candidate selected and in place by February 2008.

Specialized Payroll and Personnel Audits of County Departments

The Auditor has assessed how its regular audit function can be utilized to more directly address countywide, or multi-departmental, payroll, personnel and other problems and will be reporting their recommendations directly to your Board under separate cover. In summary, the Auditor is proposing a plan to audit payroll and personnel operations in all County departments based on their relative risk, with the Departments of Health Services, Probation, Sheriff and Internal Services having the highest potential for risk. As the automated Time Collection and eHR systems are implemented, the Auditor will modify their audit procedures accordingly.

If you have any questions or need additional information, please contact me, or your staff may contact Brian Mahan at (213) 974-1318.

WTF:SRH:MS
GP:BM:cvb

Attachment

c: Auditor-Controller
Department of Children and Family Services
Executive Office, Board of Supervisors

**AUDIT RESPONSE
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
PAYROLL/PERSONNEL REVIEW**

PART I – PAYROLL EXCEPTIONS

RECOMMENDATION 1: DCFS management correct the exceptions identified in this report by recovering overpayments, issuing supplemental warrants and adjusting employee leave benefit balances as necessary.

Response: We agree with this recommendation.

Status: In progress - Individual exceptions are being reviewed and adjustments are being processed. This is a manual search and correction effort, and the estimated completion date is January 31, 2008.

PART II – OVERTIME

RECOMMENDATION 2: Ensure overtime is approved by managers who can verify the overtime hours worked.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded of the proper procedures for approving overtime through a written memorandum. The memorandum emphasized the importance of overtime being approved by managers at the appropriate level and who have first-hand knowledge of the work to be performed.

DCFS redirected a staff position to implement a quality assurance process involving a monthly random sample of Payroll, Procurement and Accounts Payable transactions to ensure compliance with County policies and procedures. This position is in the process of being filled, and the quality assurance process will be implemented within two months of filling the position. (Two months will be needed to develop the sampling tools for each of the areas to be sampled.)

RECOMMENDATION 3: Ensure approved overtime forms are not returned to or accessible to employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that hard copies of overtime reports must not be returned or accessible to employees. As DCFS continues its transition to the use of the eCAPS Time Collection System for time entry and approval, and the subsequent expanded countywide implementation of the eCAPS ESS (Employee Self Service) functionality allowing online entry of time off and overtime requests, handling of hard copy documents in relation to overtime and all time reporting will be eliminated.

Additionally, implementation of the quality assurance process will ensure non-compliance is immediately identified throughout these corrective measures and the continued implementation of eCAPS Time Collection.

RECOMMENDATION 4: For employees working overtime while not at their regular pay location, ensure approved overtime forms are submitted timely and directly to the employees' pay location supervisor.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that overtime forms must be submitted timely and directly to the employee's pay location supervisor.

RECOMMENDATION 5: Ensure all non-emergency overtime is approved before it is worked.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors were reminded through a written memorandum that all non-emergent overtime requires approval in advance of working overtime. Managers and supervisors are now required to include the approval date on the overtime request forms.

RECOMMENDATION 6: Modify the Request for Overtime form to include the approval date.

Response: We agree that the overtime approval date should be included on the Request for Overtime form.

Status: In progress – The eCAPS Time Collection System will be implemented department-wide by December 2008. Rather than modifying the form prior to department-wide implementation of the eCAPS Time Collection System, all DCFS managers/supervisors were informed through a written memorandum to include the approval date on the Request of Overtime form until the form is revised to include a specific space for the approval date.

PART III – LEAVE ACCOUNTING

RECOMMENDATION 7: Train Payroll Section staff on the rules and coding for part-pay sick leave.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Training for timekeepers on procedures and rules for coding part-pay sick leave was conducted in April 2007 and October 2007. Ongoing training is being provided to Payroll staff by supervisors through periodic meetings. In addition, a request for formal training on this and related topics was provided by the Auditor-Controller on November 8, 2007.

RECOMMENDATION 8: Monitor Payroll Section staff to ensure correct leave codes are used while employees are on extended sick leave.

Response: We agree with this recommendation.

Status: In progress – In January 2008, payroll supervisors and managers will begin randomly sampling ten percent of records for employees on extended sick leave to ensure that correct codes are used by Payroll staff. The results of this random sampling will be used to identify additional training needs and to initiate progressive discipline measures, as appropriate.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 9: Ensure employees meet the five-day waiting period before allowing use of part-pay sick leave.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All DCFS managers/supervisors have been reminded through a written memorandum of the five-day rule. DCFS Payroll staff will partner with DCFS managers and supervisors to ensure that five-day waiting periods are observed.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 10: Ensure proper approvals are obtained before employees use full-pay leave (e.g., full-pay sick leave, vacation, holiday earned, etc.) when employees are on part-pay or absent-without-pay status.

Response: We agree with this recommendation.

Status: Implemented and ongoing – By February 29, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of required approvals for an employee to use full-pay leave when the employee is on part-pay or absent-without-pay status.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

PART IV - INDUSTRIAL ACCIDENTS (IA)

RECOMMENDATION 11: Ensure Payroll Section staff correctly enter all key Industrial Accident dates into CWTAPPS.

Response: We agree with this recommendation.

Status: In progress – DCFS Payroll and Health and Safety supervisors are working together to finalize a process to ensure IA and leave information is shared timely, that the information is entered timely into CWTAPPS, and that related pay adjustments are made.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 12: Ensure bilingual bonuses are suspended when an employee is absent for more than 60 consecutive calendar days.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A review of records was conducted to identify employees who are on leave and still receiving bilingual bonuses. Suspension of inappropriate bonuses identified in the review is in progress. DCFS Payroll, Personnel Processing and Classification/Compensation supervisors have established a process to ensure bilingual bonus information is shared timely, the information is input timely to CWTAPPS, and related pay adjustments are made.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 13: Ensure the Health and Safety Unit notifies Payroll within 24 hours when employees are placed on IA leave. Payroll staff should confirm, in writing, with the Health and Safety Unit that they have receive the Notice of Benefits.

Response: We agree with this recommendation.

Status: Implemented and ongoing – DCFS Payroll and Health and Safety supervisors have established a process to ensure timely notification that an employee has been placed on IA leave and that Notices of Benefits have been received.

Additionally, implementation of the quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 14: Provide training to Payroll staff to ensure staff correctly calculate supplemental payments for employees receiving temporary disability (TD) payments during the post salary continuation period (PSCP).

Response: We agree with this recommendation.

Status: Implemented – Training of payroll managers, supervisors and staff was provided on November 8, 2007 by the Auditor-Controller.

RECOMMENDATION 15: Develop and implement written desk procedures for processing and monitoring Industrial Accident cases, including a requirement to notify the third party administrator (TPA) within 24 hours of employees returning to work.

Response: We agree with this recommendation.

Status: In progress – Procedures for Payroll staff for processing IA cases have been drafted and are currently in the review and clearance process. Upon finalization of the procedures, they will be provided to Payroll staff. Procedures for Health and Safety staff will be developed by January 31, 2008.

PART V - TIME AND ATTENDANCE

RECOMMENDATION 16: Ensure that employees certify the accuracy of their reported time by completing and signing time cards.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum of the requirement that employees ensure accuracy of their reported time by completing and signing their time cards for employees not yet on the eCAPS Time Collection System.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With the implementation of the eCAPS Time Collection System, this issue will not exist. The Time Collection application is based on the use of an electronic signature for employee submission of a timesheet. The employee logs into the application with his/her User ID and Password. Upon completion of the timesheet, the employee must check a box certifying the accuracy of the time recorded and then submit the timesheet for their supervisor's approval. The timesheets are routed electronically, and the supervisor's approval is also an electronic signature using his/her own User ID and Password. The application maintains logs of who took the action and when it was taken.

RECOMMENDATION 17: Ensure supervisors review and sign employee time cards/Daily Attendance Reports (DARs).

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum of the requirement that supervisors review and sign time cards and DARs.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. Under this system, in order for the timesheet to be submitted for payroll processing, it must receive an authorized electronic approval. The application has standard reports available to assist timekeepers with monitoring the timely submission of timesheets and which timesheets have not yet been processed.

RECOMMENDATION 18: Ensure that approved time cards/DARs are not returned to employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that approved time cards must not be returned to employees.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. The use of the electronic workflow functionality in the eCAPS/eHR application ensures that timesheets are not returned to employees after approval. In addition, the employee may view the timesheet online; but once approved, the timesheet is final and cannot be modified. To make timesheet adjustments, a second adjusting document must be processed in eCAPS or an approved adjustment must be processed through the timekeeper directly into CWTAPPS.

RECOMMENDATION 19: Ensure that adjustments to approved time cards/DARs are subsequently approved by a supervisor.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that adjustments to time cards/DARs must be approved by a supervisor.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 20: Develop and implement procedures for preparing and approving time cards/DARs to ensure consistency throughout the Department and monitor for compliance.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Procedures for processing time cards and DARs have been posted on the Department's internal website. All DCFS managers/supervisors were reminded through a written memorandum that procedures for preparing and approving time cards/DARs are on the Department's internal website.

Implementation of the monthly QA process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist. This is one benefit of using the eCAPS/eHR application. IT will improve on DCFS establishing a consistent approach to timesheet preparation throughout the Department.

RECOMMENDATION 21: Reinforce the requirement that time records are to be maintained for at least five years.

Response: We agree with this recommendation.

Status: In progress – By February 15, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of the requirement to maintain time records for at least five years. In addition, Payroll managers will partner with departmental managers to standardize payroll records retention procedures in the various DCFS offices.

With the implementation of the eCAPS Time Collection System, this issue will not exist. The TIMEI documents (timesheets) prepared in the eCAPS/eHR application will be maintained according to prescribed County timelines.

RECOMMENDATION 22: Implement controls to ensure time cards and DARs are complete and accurate, and that payroll information is entered correctly into CWTAPPS.

Response: We agree with this recommendation.

Status: Implemented and ongoing – An adjustment form was created to assist with reconciling and tracking discrepancies between DARs and time cards.

Implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

With implementation of the eCAPS Time Collection System, this issue will not exist.

RECOMMENDATION 23: Investigate and resolve the discrepancies identified in our review.

Response: We agree with this recommendation.

Status: In progress – By January 31, 2008, DCFS Payroll staff will complete an investigation and reconciliation of the discrepancies identified in the Auditor-

Controller's report (the 19 DARs that did not agree with CWTAPPS, the 37 time cards that did not agree with CWTAPPS, and the 37 DARs that did not agree with the time cards).

RECOMMENDATION 24: Ensure unclaimed payroll warrants and notices of direct deposit are kept in a locked cabinet/safe inaccessible to Payroll/Personnel employees.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Arrangements have been made to store unclaimed payroll warrants and notices of direct deposit in a locked location inaccessible to Payroll/Personnel employees.

RECOMMENDATION 25: Ensure unclaimed warrants and notices of direct deposit are returned and investigated by someone independent of Payroll/Personnel.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe.

RECOMMENDATION 26: Ensure unclaimed warrants and notices of direct deposit are investigated with 20 calendar days of issuance.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe.

RECOMMENDATION 27: Void and timely return all undeliverable warrants to the Auditor-Controller's Countywide Payroll Division.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to receive and investigate unclaimed warrants and notices of direct deposit within the prescribed 20-day timeframe, and to void and return undeliverable warrants to the Auditor-Controller in a timely manner.

RECOMMENDATION 28: Ensure payoffs are conducted at all pay locations at least annually.

Response: We agree with this recommendation.

Status: In progress and ongoing – Annual payoffs will be conducted at all pay locations beginning January 2008. A team has been formed to implement this procedure.

RECOMMENDATION 29: DCFS management ensure that staff independent of personnel/payroll functions verifies written approval for each supplemental warrant on the CWPAY Report of Supplemental Payroll warrants Issued.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the Payroll/Personnel units has been identified to verify written approval of each supplemental warrant on the report of supplemental payroll warrants issued.

PART VI - BONUSES

RECOMMENDATION 30: DCFS management establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadline.

Response: We agree with this recommendation.

Status: In progress – By the end of January 2008, procedures will be finalized to ensure timely entry of bonus transactions into CWTAPPS.

RECOMMENDATION 31: Ensure someone that does not enter data on CWTAPPS annually reviews the work assignments of employees receiving a bonus to verify they continue to be eligible for the bonus.

Response: We agree with this recommendation.

Status: In progress – Beginning January 2008, the DCFS Classification/Compensation unit will conduct annual reviews of work assignments to verify employees' continued eligibility to bonuses.

RECOMMENDATION 32: Ensure Personnel completes and retains documentation of employee bonus eligibility.

Response: We agree with this recommendation.

Status: Implemented and ongoing – DCFS Classification/Compensation staff have been reminded to complete documentation of eligibility to bonuses and to ensure documentation is on file for all employees receiving bonuses. Beginning March 2008, the supervisor of DCFS' Classification/Compensation unit will conduct a random sample quarterly to ensure compliance with the documentation retention requirement.

RECOMMENDATION 33: Monitor standby earnings to ensure employees do not earn more than the hourly rate allowed and the monthly maximum.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Until an automated system can be developed to ensure employees do not earn more than the maximum allowed, a manual control system has been implemented. Additionally, beginning February 2008, a supervisor in DCFS Human Resources will conduct a random sample monthly to ensure compliance.

RECOMMENDATION 34: Ensure that annual authorization is obtained from the CEO for standby rates, when required.

Response: We agree with this recommendation.

Status: Implemented and ongoing – The standby rate for the physician employee has been terminated. However, DCFS Classification/Compensation staff have been instructed to request annual authorization from CEO for standby rates when required, such as physician standby pay.

PART VII - EMPLOYEE TERMINATIONS

RECOMMENDATION 35: DCFS management monitor to ensure terminations are processed timely.

Response: We agree with this recommendation.

Status: Implemented and ongoing – By February 15, 2008, all DCFS managers/supervisors will be reminded through a written memorandum of the requirement to submit employee termination information to Human Resources in a timely manner. DCFS Payroll/Personnel staff have been reminded of the requirement to process terminations timely.

Additionally, implementation of the monthly quality assurance process will ensure non-compliance is identified immediately.

RECOMMENDATION 36: DCFS management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after an employee terminates.

Response: We agree with this recommendation.

Status: Implemented and ongoing – A staff person outside of the DCFS Payroll/Personnel units has been identified to conduct these traces for terminated employees.

PART VIII – DATA ACCESS

RECOMMENDATION 37: DCFS management ensure that all employees with access to County computer data sign the security violation policy.

Response: We agree with this recommendation.

Status: Implemented and ongoing – All new hires are required to sign security violation policy forms during their departmental orientation session. Additionally, in September 2007, all staff were required to complete and submit a new security violation policy form.

RECOMMENDATION 38: DCFS management periodically review employees' CWTAPPS access, restrict access based on the employee job duties, and remove employees whom no longer require access.

Response: We agree with this recommendation.

Status: In progress and ongoing – A report of all staff with CWTAPPS access, justification for the access, and level of access will be submitted to the Deputy Director, Bureau of Finance and Administration by the last day of each quarter beginning the first quarter of 2008. All new requests for access to CWTAPPS will continue to require the approval of the Deputy Director, Bureau of Finance and Administration.

RECOMMENDATION 39: DCFS management use processing centers so that staff do not have access to their own personnel/payroll information on CWTAPPS.

Response: We agree with this recommendation.

Status: In progress – DCFS has had preliminary discussion with the Auditor-Controller regarding the creation of processing centers. DCFS managers will work closely with Auditor-Controller staff to devise procedures to establish processing centers for implementation by April 2008.

PART X – CWTAPPS REPORTS

RECOMMENDATION 41: DCFS management use CWTAPPS reports to monitor the Department's payroll operations and ensure the Payroll Supervisor reviews the reports as required by the County Fiscal Manual.

Response: We agree with this recommendation.

Status: Implemented and ongoing – Payroll staff has been reminded of the requirement to review exception reports each pay period and to immediately process any necessary adjustments, annotate the exception reports with the disposition, and to sign and date the reports. Payroll supervisors have been reminded they must also review the reports and ensure adjustments are made promptly and correctly and sign and date the reports. Copies of all exception reports are now being provided to the Human Resources Division Chief's secretary to control for receipt of annotated, signed and dated exception reports from the Payroll supervisor.

PART XI – RECORD KEEPING

RECOMMENDATION 42: DCFS management ensure that all supporting documents are retained for at least five years for audit purposes, except for non-critical CWTAPPS reports which should be retained at least two years.

Response: We agree with this recommendation.

Status: In progress – By February 2008, procedures will be written and distributed department-wide for appropriate standardized retention of payroll records and supporting documents.